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Japan's Tokio Marine ups stake in Iffco JV to 49%

NEW DELHI: Japanese major Tokio Marine has hiked its stake in non-life insurance venture IFFCO-Tokio to 49 per cent by acquiring additional shares in the company for Rs 2,530 crore.

Cooperative fertiliser major IFFCO had entered into general insurance business in joint venture with Tokio Marine in 2000. While Tokio Marine had 26 per cent stake in the JV, IFFCO had 72.64 per cent and Indian Potash Ltd (IPL) had 1.36 per cent.

"Tokio Marine has purchased total 6,19,43,945 shares of IFFCO-Tokio from IFFCO and IPL for a total consideration of Rs 2,530 crore," IFFCO Managing Director U S Awasthi told reporters here.

As per the agreement, IFFCO has transferred 5,82,81,173 shares of IFFCO-Tokio to Tokio Marine for Rs 2,380.4 crore while IPL sold 36,62,772 shares for Rs 149.6 crore.

The shares of face value of Rs 10 per unit were sold at Rs 408.43 per share to Tokio Marine.

IFFCO has earned about 20 times more than on its origi-



nal investment. The three promoters - IFFCO, IPL and Tokio Marine had invested Rs 560 crore in the company. Now the company is valued at Rs 11,000 crore.

This transaction would help IFFCO raise the required capital to focus on more agribusinesses and to better serve the interests of Indian farmers in the fast changing agriculture sector, Awasthi said.

IFFCO stake will come down to 51 per cent in the JV while IPL would exit from the insurance company.

"The additional share purchase is in line with Tokio Marine Group's international business strategy to achieve sustainable growth and profit expansion as well as enhance diversified business portfolio through capturing growth opportunities in emerging countries," said Arthur Lee, Chief Executive of Tokio

Marine Asia.

Insurance regulator IRDAI has accorded approval for increasing the stake. The decision regarding divestment was made after the government hiked the FDI limit in insurance sector to 49 per cent.

Asked if the company would require additional capital for growth, Awasthi said both the promoters would bring in as much capital as needed.

IFFCO-Tokio Managing Director Warendra Sinha said the company is expecting 15 per cent growth in topline during the current fiscal.

The insurance company would be comfortable if Rs 200-300 crore comes in but there is no immediate requirement at the moment, he said, adding the company earned a net profit of Rs 420 crore last fiscal. The company had collected a total premium of Rs 5,635 crore last fiscal.

Regarding GST impact on premium, Sinha said there will be no increase even when the rate of interest has gone up to 18 per cent. Public offer could be a possibility in the next 3-4 years, Awasthi said.

PTI